

# **State of Alaska FY2003 Governor's Operating Budget**

## **Department of Revenue Tax Division Component Budget Summary**

## **Component: Tax Division**

**Contact: Dan Dickinson, Director**

**Tel:** (907) 269-6620 **Fax:** (907) 269-6644 **E-mail:** dan\_dickinson@revenue.state.ak.us

## **Component Mission**

The mission of the Tax Division is to collect taxes consistent with statute.

## **Component Services Provided**

- Administer 19 tax types including four special oil and gas taxes, six fisheries taxes and nine excise, income and other tax types, providing over half of non-federal General Fund revenues, including development and processing of tax returns, collection of and accounting for revenues, compliance, and taxpayer service.
- Administer three non-tax programs; charitable gaming, royalty auditing and salmon price reporting.
- Collect and present information to public and policy makers.
- 

## **Component Goals and Strategies**

- Streamline and simplify the fisheries business tax licensing and filing process to reduce the administrative burden on taxpayers and foster tax compliance.
- Design and implement software to eliminate unnecessary examination effort currently being performed on 70% of corporate returns filed.
- Create a cost web-based electronic filing and licensing application development process.
- Redesign forms and software to obtain and process shared revenue data more efficiently.
- Increase use of computerized filing of reports and other required information with an emphasis on oil and gas taxes where most taxpayers are fairly sophisticated.
- Emphasize up-front compliance and consultation with the taxpayers rather than after the fact audits to arrive at correct amount for production tax.
- Increase the scope of communication and consultation between municipal and industry stakeholders in the administration of oil and gas property taxes.
- Continue the process of overhauling the Revenue Sources book to increase its usefulness and information content.
- Stay on track for resolving oil and gas production tax matters timely
- Continue trying to set up a mechanism for an annual projection of revising any regulation where ambiguity has led to a compromised assessment.

## **Key Component Issues for FY2002 – 2003**

Key legislation passed in 2001 included:

HB 154 (Ch 42 SLA 2001) Effective Date 09/23/2001

- Fisheries Business Tax/Fishery Resource Landing Tax. This bill modified the tax payment security requirements necessary to obtain a state fisheries business tax license.

HB 228 (Ch 88 SLA 2001) Effective Date 07/01/2001

- Sale of Tobacco Products. Relevant sections in this bill gave the division new tools to enforce the nationwide Master Settlement Agreement signed by the major cigarette producers and states.

SB 151 (Ch 78 SLA 2001) Effective Date 01/01/2002

- Bristol Bay Salmon Classic. The state's charitable gaming laws allow certain organizations to conduct "salmon classic" games of chance. This legislation adds the Bristol Bay Native Corporation Education Foundation to the list, allowing the education foundation to conduct a fund-raising salmon classic.

SB 158 (Ch 38 SLA 2001) Effective Date 06/26/2001

- Study of State Participation in Gas Line Ownership. This legislation directs the department to prepare a detailed report on the merits of the state ownership and/or financial stake in North Slope natural gas commercialization project.

Key Issues for 2002- 2003:

- Creating and maintaining effective information technology programs, which will require retaining and attracting high quality personnel.
- Keep current with analysis and research pertinent to developments with the proposed Alaska natural gas project.
- Auditing oil and gas related taxes for 2000, which include major transition and adjustments for all our major taxpayers.
- Bringing in a new State Petroleum Properties Assessor and administering AS 43.56 when tensions between municipalities and taxpayers seem to be on the increase.

## **Major Component Accomplishments in 2001**

- During FY 2001 the division implemented new regulations and enhancements to the tax data base for motor fuel tax, resulting in fewer staff hours necessary to record taxpayer data.
- The new Alaska Salmon Price Report requirements were implemented in FY 2001 by the creation of a database and reporting system to meet the requirements of HB 363.
- FY 2001 also brought about the division computerized time reporting system, allowing for more accurate reporting of staff hours charged to tax programs.
- Effective January 1, 2001, the administration of unclaimed property was transferred to the Treasury Division within the Revenue Operations component.
- Continued to improve use of information technology in division tax programs. We designed and implemented a new data entry and return examination application for motor fuel tax. Will be expanded to Corporate Income Tax
- Stayed on schedule for closing out oil and gas production tax matters, closing all matters through 1996 and all audits through 1997 (two matters left in appeals)
- Participated in TAPS hearing before the State Assessment Review Board and essentially held a middle ground valuation that was \$1 billion higher than requested by taxpayers and \$3 billion lower than requested by municipalities
- Put out an effective and informative Revenue Sources book that explored fiscal options and their economic impacts
- Completed substantial work on new regulations package concerning allowable transportation deductions under AS 43.55.

**Statutory and Regulatory Authority**

AS 04.11\*  
AS 09.50  
AS 10.25\*  
AS 16.51  
AS 38.05  
AS 43.05  
AS 43.10  
AS 43.19  
AS 43.20  
AS 43.21  
AS 43.31  
AS 43.35\*  
AS 43.40\*  
AS 43.50  
AS 43.55  
AS 43.56  
AS 43.57  
AS 43.60  
AS 43.65  
AS43.75\*  
AS 43.76  
AS 43.77\*  
AS 43.80  
AS 42.05  
AS 42.06  
15 AAC 04.001 - 15 AAC 04.320  
15 AAC 05.001 - 15 AAC 05-320  
15 AAC 19.011 - 15 AAC 19.1390  
15 AAC 20.010 - 15 AAC 20.390  
15 AAC 20.410 - 15 AAC 20.920  
15 AAC 21.001 - 15 AAC 21.9701  
15 AAC 35.010 - 15 AAC 35.100  
15 AAC 40.010 - 15 AAC 40.900  
15 AAC 50.010 - 15 AAC 50.190  
15 AAC 55.010 - 15 AAC 55.9700  
15 AAC 56.005 - 15 AAC 56.130  
15 AAC 60.010 - 15 AAC 60.310  
15 AAC 65.010 - 15 AAC 65.990  
15 AAC 75.010 - 15 AAC 75.300  
15 AAC 76.010 - 15 AAC 76.290  
15 AAC 77.005 - 15 AAC 77.990  
15 AAC 80.010  
15 AAC 116.010 - 15 AAC 116.700  
15 AAC 160  
26 U.S.C. 38 Internal Revenue Code

\* Statutes provide for sharing taxes and fees.

## Tax Division

### Component Financial Summary

*All dollars in thousands*

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	5,207.2	5,458.2	5,594.9
72000 Travel	129.4	161.3	161.3
73000 Contractual	1,030.9	1,294.2	928.2
74000 Supplies	81.6	51.6	51.6
75000 Equipment	220.2	4.9	4.9
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>6,669.3</b>	<b>6,970.2</b>	<b>6,740.9</b>
<b>Funding Sources:</b>			
1004 General Fund Receipts	5,462.0	5,800.6	5,748.0
1005 General Fund/Program Receipts	754.6	604.5	617.9
1007 Inter-Agency Receipts	67.3	115.3	119.6
1053 Investment Loss Trust Fund	27.9	0.0	0.0
1061 Capital Improvement Project Receipts	12.8	12.7	13.0
1103 Alaska Housing Finance Corporation Receipts	106.9	0.0	0.0
1105 Alaska Permanent Fund Corporation Receipts	237.8	237.1	242.4
1108 Statutory Designated Program Receipts	0.0	200.0	0.0
<b>Funding Totals</b>	<b>6,669.3</b>	<b>6,970.2</b>	<b>6,740.9</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<b>Unrestricted Revenues</b>						
Unrestricted Fund	68515	1,773.8	1,418.0	1,418.0	1,418.0	1,418.0
<b>Unrestricted Total</b>		<b>1,773.8</b>	<b>1,418.0</b>	<b>1,418.0</b>	<b>1,418.0</b>	<b>1,418.0</b>
<b>Restricted Revenues</b>						
Interagency Receipts	51015	67.3	115.3	115.3	119.6	119.6
General Fund Program Receipts	51060	754.6	604.5	604.5	617.9	617.9
Statutory Designated Program Receipts	51063	0.0	200.0	0.0	0.0	0.0
Capital Improvement Project Receipts	51200	12.8	12.7	12.7	13.0	13.0
<b>Restricted Total</b>		<b>834.7</b>	<b>932.5</b>	<b>732.5</b>	<b>750.5</b>	<b>750.5</b>
<b>Total Estimated Revenues</b>		<b>2,608.5</b>	<b>2,350.5</b>	<b>2,150.5</b>	<b>2,168.5</b>	<b>2,168.5</b>

## Tax Division

## Proposed Changes in Levels of Service for FY2003

There are no proposed services changes for FY 2003.

**Summary of Component Budget Changes  
From FY2002 Authorized to FY2003 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>6,405.1</b>	<b>0.0</b>	<b>565.1</b>	<b>6,970.2</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	126.8	0.0	9.9	136.7
-Delete one-time supplemental appropriation, SEC 12 (a) CH 3 SLA2001 (HB117)	-168.8	0.0	-200.0	-368.8
<b>Proposed budget increases:</b>				
-FY2003 State Facilities Rent increase	2.8	0.0	0.0	2.8
<b>FY2003 Governor</b>	<b>6,365.9</b>	<b>0.0</b>	<b>375.0</b>	<b>6,740.9</b>

## Tax Division

## Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	87	87	Annual Salaries	4,541,938
Part-time	1	1	COLA	103,358
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	1,469,899
			<i>Less 8.51% Vacancy Factor</i>	(520,295)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>88</b>	<b>88</b>	<b>Total Personal Services</b>	<b>5,594,900</b>

## Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant IV	0	0	1	0	1
Accounting Clerk II	0	0	2	0	2
Accounting Spvr II	0	0	1	0	1
Accounting Tech I	0	0	1	0	1
Accounting Tech II	0	0	1	0	1
Accounting Tech III	0	0	3	0	3
Administrative Assistant	1	0	1	0	2
Administrative Clerk II	2	0	6	0	8
Administrative Manager II	0	0	1	0	1
Administrative Supervisor	0	0	1	0	1
Analyst/Programmer I	0	0	1	0	1
Analyst/Programmer II	0	0	2	0	2
Analyst/Programmer V	0	0	2	0	2
Deputy Director, Tax Division	1	0	0	0	1
Division Director	1	0	0	0	1
Economist I	1	0	0	0	1
Economist II	1	0	0	0	1
Economist III	0	0	1	0	1
Investigator III	1	0	0	0	1
Investigator IV	1	0	0	0	1
Micro/Network Spec I	1	0	0	0	1
Petroleum Economist I	3	0	0	0	3
Petroleum Economist II	1	0	0	0	1
Revenue Audit Supvr I	0	0	2	0	2
Revenue Audit Supvr II	2	0	0	0	2
Revenue Audit Supvr III	0	0	2	0	2
Revenue Auditor II	1	0	0	0	1
Revenue Auditor III	6	0	1	0	7
Revenue Auditor IV	8	0	1	0	9
Revenue Auditor V	11	0	0	0	11
State Petro Prop Assess	1	0	0	0	1
Tax Technician I	1	0	3	0	4
Tax Technician II	0	0	4	0	4
Tax Technician III	3	0	2	0	5
Tax Technician IV	0	0	2	0	2
<b>Totals</b>	<b>47</b>	<b>0</b>	<b>41</b>	<b>0</b>	<b>88</b>